



The continuous improvement leader:

Engaging people for
a digital age



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Lean management creates enormous value, but improvement that's truly continuous is often elusive. Innovation in fields such as digital and IT make it more urgent, achievable, and human.

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Over the past two decades, the world has embraced lean-management thinking. What was once a set of ideas for building better cars now drives better work in general—and better results—in everything from the world's largest companies to a new generation of start-ups and in every sector from healthcare to IT to financial services to nonprofits. Lean transforms the entire organization, creating new forms of leadership, new ways of working together, and, above all, shared mind-sets and behavior that strengthen an organization's capabilities and performance.

Yet today's chronic state of upheaval, with disruption compounding disruption, means that even some of the most successful organizations find it harder to build on lean management's gains and instill the right beliefs and behavior more deeply. Momentum flags just as the challenges seem greatest. Digitization, automation, analytics, design thinking—all are competing for the attention of leaders in the constant search for new ways to improve customer experiences and transform how businesses generate value.

These new capabilities all matter. But to find the right combination, business leaders need every worker to be more engaged and productive than ever. And because few combinations will remain right for long, organizations will keep needing more engagement and more productivity. That makes the role of the leader even more critical in sustaining an environment where engagement can thrive.

A few organizations are therefore realizing what the phrase “continuous-improvement culture” really implies: the very practices that support continuous improvement must themselves improve continuously. What these leaders are called on to lead is a continuous-improvement system that’s centered on people: the lean management system (exhibit).

Exhibit

The lean management system is articulated through four integrated disciplines.



The need to engage people

Fundamentally, organizations are fighting commoditization: faster innovation means that any competitive advantage solely from technical excellence is now more fleeting than ever.

Take product quality. Over the past few decades, the average number of defects in new automobiles has plummeted, despite dramatic increases in the product's complexity—to the point where the quality among many brands barely differs. Likewise, in the United States, customer-satisfaction gaps between the largest retail chains, food manufacturers, banks, and household-appliance makers are now quite small.

Instead, what increasingly matters is a whole range of human capabilities related to how companies communicate and work with customers. Recorded via smartphone, a single poor service encounter can now cause real reputational damage, amplified in social media to a potential audience in the hundreds of millions.

In this environment, lasting competitive advantage comes from the ability to learn faster, respond faster, and develop deeper ties to customers. Technologies will naturally play a crucial role. The McKinsey Global Institute estimates that at least 30 percent of the activities in about 60 percent of all occupations could be automated, potentially freeing up people for more valuable contributions.

But too often, organizations think that technology alone will get them out of a competitive hole. In focusing so intently on the latest algorithm or big data application or straight-through processing platform, corporate leaders easily lose sight of what the new techniques are supposed to do: help to serve clients more effectively, directly or indirectly. The new tools take on a life of their own, consuming time and talent for an impact that dissipates quickly.

By contrast, the most promising opportunities are revealing themselves to the organizations that best manage the human beings who shape, use, and revise the new capabilities every day. What enables these exceptional organizations to break through barriers that block so many others?

New value from lean management

What distinguishes these leaders is that they are not only redoubling their efforts with lean to create new operating models that deploy human skill with unmatched agility and responsiveness but also focusing on delivering value. As a result, such companies can respond to new problems in real time. Rather than wait for decisions to march up and down a bureaucratic citadel, teams of workers can rely on their own skills (and managerial support) to test and implement new solutions on their own.

Lean thinking informs every aspect of these organizations' work, from transforming customer journeys—the steps cumulatively involved in providing a service or product spanning multiple touchpoints and channels—to accelerating value creation as part of an enterprise strategy of adapting to the digital world. They're combining digital technologies and process-improvement capabilities in an integrated, sequenced way that drastically improves customer journeys and internal processes. The Dutch banking group ING, for example, uses lean principles to create new product experiences for customers, as well as an unusually flexible organizational model that constantly evolves.

Companies are further building upon a foundation of lean management by applying digital technologies to synchronize their strategies, activities, performance, and health. They're generating better data to drive the management system, with clear strategies and goals (and tight feedback loops) that cascade throughout the organization.

And they're building a more flexible, modular architecture for improvement. Commonwealth Bank of Australia, for example, has changed the way it structures change, so that people can adapt to it more quickly and deeply.

These same organizations are successfully realizing an even greater advance: they are making continuous improvement an enterprise-wide reality, including in business areas that traditionally haven't been seen as fertile ground for lean concepts because their operations do not resemble factories. Corporate business functions, such as HR, risk, and finance, are not only just as ripe for lean's rewards as any other group but can also multiply the benefits of lean by encoding it into the organization's governance and people processes. Moreover, these functions' constraints, such as a heavy reliance on experts, mean that their successes will open yet more areas for lean management to target—such as highly complex expert-led functions and businesses. In Chicago, for example, the international law firm Seyfarth Shaw fosters a deeper understanding of its clients by using lean to help traditionally siloed experts align with others.

Leaders building new leaders

But the most striking difference in these enterprises is the way that their leaders work—how they have changed the daily management of the business, from the routines they practice to the expectations they set with their people.

These leaders become not just role models but anchors keeping their organizations from being dragged back to old habits. As work with lean management starts to mature, they systematically transfer the scientific mind-set to other leaders across the enterprise. Their codifying and role modeling of crucial practices (such as “standard work”) help their companies develop people and sustain improvement and help the entire organization to keep pace.

But this means achieving a shared understanding of the purpose of lean work—with rigorous planning that outlines how the company will get there—to develop the behavior, leadership, and systems that help all employees learn from the work they do. Ultimately, it means positioning continuous improvement not as a thing to achieve, but as a way of thinking and working that becomes self-reinforcing.



Exceptional lean companies win in the short term and thrive in the long term. This system of learning and continuous improvement becomes a virtuous cycle of more engaged workers coached by more capable managers whose more agile organizations can make more effective decisions. The complete lean management system gives any business the opportunity to face its toughest competitive pressures—to compete through learning—by building an agile, responsive, and adaptive enterprise focused on finding and attacking a wealth of new challenges. ■

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